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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: :
: Chapter 11
SEARS HOLDINGS CORPORATION, :
et al., : Case No. 18-23538 (RDD)
: Debtors. :
: :
----- X

**LIMITED OBJECTION OF AMERICAN GREETINGS CORPORATION
TO DEBTORS' MOTION FOR AUTHORITY TO (A) OBTAIN
POSTPETITION FINANCING, (B) USE CASH COLLATERAL, (C) GRANT
CERTAIN PROTECTIONS TO PREPETITION SECURED PARTIES,
AND (D) SCHEDULE SECOND INTERIM HEARING AND FINAL HEARING**

American Greetings Corporation ("AG") hereby files its objection (the "**Objection**") to the *Debtors' Motion for Authority to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Certain Protections to Prepetition Secured Parties, and (D) Schedule Second Interim Hearing and Final Hearing*, dated October 15, 2018 (Dkt. No. 7) (the "**Motion**")

filed by the above-captioned debtors (the “**Debtors**”). In support of this Objection, AG respectfully represents as follows:

INTRODUCTION

1. The Motion indicates that Bank of America, N.A., as collateral agent (“**BofA**”), is the first lien holder. AG submits that this is not accurate. AG holds a senior interest in its merchandise. AG objects to the relief sought in the Motion to the extent that the Debtors seek a priming lien in AG’s merchandise.

BACKGROUND

2. AG and Kmart Corporation, Sears Roebuck and Co., Sears Operations LLC, and Kmart Operations LLC (collectively, the “**Buyers**”) are parties to certain agreements governing the distribution and retail sales of certain greetings cards and related products (collectively, the “**Merchandise**”) on a scan-based trading (“**SBT**”) method of sales.

3. Under the SBT protocol, the Buyers receive and accept Merchandise on a consignment basis, under which title to all Merchandise is reserved with AG until the register scan and sale of the Merchandise to retail customers.

4. In order to perfect its interest in the Merchandise, AG filed UCC-1 financing statements in Michigan,¹ Delaware,² and New York,³ and provided notice to the holders of existing security interests. As to Kmart Corporation, Kmart Operations LLC, and Sears

¹ AG’s UCC-1 filings against Kmart Corporation in Michigan include: MI Financing Statement # 2003087025-3 (initial filing number), 2008069511-2 (2008 continuation), 2016115608-1 (2016 amendment – change of address), 2013059416-9 (2013 continuation), and 20180425000414-7 (2018 continuation); and MI Financing Statement # 2003087053-2, 2008069512-4 (2008 continuation), 2013059415-7 (2013 continuation), 2016115609-3 (2016 amendment – change of address), and 20180425000416-5 (2018 continuation).

² AG’s UCC-1 filing against Kmart Operations LLC in Delaware includes DE Financing Statement #20152834785 (initial filing number). AG’s UCC-1 filing against Sears Operating LLC in Delaware includes DE Financing Statement #20152834777 (initial filing number).

³ AG’s UCC-1 filing against Sears, Roebuck and Co. in New York includes NY Financing Statement #201507015725202 (initial filing number).

Operations LLC, AG's initial UCC-1 filings *pre-date* the UCC-1 financing statements filed by BofA. Whether AG's transactions with the Buyers constitute a consignment or give rise to a purchase money security interest, AG holds title to the Merchandise, which title is senior to any liens or claims held by BofA.

5. AG objects to the Motion to the extent that it seeks to grant a priming lien on the Merchandise or the proceeds thereof. Such a priming lien should not be granted given that (i) the Debtors do not own the Merchandise, (ii) AG does not consent, and (iii) the Debtors have failed to offer any form of adequate protection to AG.

CONCLUSION

6. Based on the foregoing, the Motion should be denied to the extent the Debtors seek a priming lien in the Merchandise.

Dated: October 15, 2018

Respectfully submitted,

/s/ Eric R. Goodman

Eric R. Goodman

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CERTIFICATE OF SERVICE

I hereby certify that on October 15, 2018, a true and correct copy of the foregoing *Limited Objection of American Greetings Corporation to Debtors' Motion for Authority to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Certain Protections to Prepetition Secured Parties, and (D) Schedule Second Interim Hearing and Final Hearing* was electronically mailed to the parties registered or otherwise entitled to receive electronic notice in these cases pursuant to the Electronic Filing Procedure in this District.

/s/ Eric R. Goodman

Eric R. Goodman